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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL	
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REPORT FOR THE PERIOD BEGINNING 10/01/01 AND ENDING 09/30/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Aris Securities Company

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

270 Walker Drive

(No. and Street)

State College

PA

16801

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

David W. Kuhr, Director of Compliance

(814) 231-3710

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Herbein + Company, Inc.

(Name - if individual, state last, first, middle name)

401 Oley Street

Reading

PA

19601

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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FINANCIAL

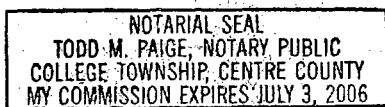
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, David W. Kuhr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aris Securities Company, as of September 30, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None



David W. Kuhr

Signature

Director of Compliance and
Financial Principal

Title

SWORN AND SUBSCRIBED BEFORE ME THIS
26 DAY OF November 2002

Todd M. Paige

Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended September 30, 2002 and 2001

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HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Members of Polaris International, N.A., Pennsylvania Institute of CPAs,
American Institute of Certified Public Accountants Div. of CPA Firms/SEC & Private Practice Sections
www.herbein.com

To the Board of Directors and Stockholder
ARIS Securities Company (a Wholly Owned Subsidiary)
State College, Pennsylvania

Independent Auditor's Report

We have audited the accompanying statements of financial condition of ARIS Securities Company (the "Company") as of September 30, 2002 and 2001, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARIS Securities Company at September 30, 2002 and 2001, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Herbein+Company, Inc.

Reading, Pennsylvania
November 18, 2002

HERBEIN+COMPANY, INC.

401 Oley Street Reading, PA 19601-2596
reading@herbein.com

Telephone: 610-378-1175 Facsimile: 610-378-0999

Other Offices:

PITTSBURGH

POTTSTOWN

GREENSBURG

WYOMISSING

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

STATEMENTS OF FINANCIAL CONDITION

	September 30	
	2002	2001
ASSETS		
Cash, including certificate of deposit of \$100,000	\$177,163	\$139,102
Receivables from brokers or dealers	121,913	0
Prepaid expenses	760	1,208
TOTAL ASSETS	\$299,836	\$140,310
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accounts payable	\$43	\$90,562
Due to Parent Company	134,811	7,045
TOTAL LIABILITIES	134,854	97,607
STOCKHOLDER'S EQUITY		
Common stock, no par value		
Authorized - 1,000 shares		
Issued and outstanding - 258 shares	45,538	45,538
Additional paid-in capital	119,462	54,462
Accumulated deficit	(18)	(57,297)
TOTAL STOCKHOLDER'S EQUITY	164,982	42,703
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$299,836	\$140,310

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

STATEMENTS OF INCOME

	Year Ended September 30	
	2002	2001
REVENUES		
Revenue sharing income	\$359,979	\$0
Commissions and 12b-1 fees	78,542	3,522
Interest income	4,177	5,725
	<u> </u>	<u> </u>
TOTAL REVENUES	442,698	9,247
EXPENSES		
Personnel expense allocation	183,101	24,033
Systems	134,687	2,445
Legal and accounting	35,533	6,795
Office supplies	10,041	103
Dues and license fees	5,198	10,015
	<u> </u>	<u> </u>
Occupancy	4,831	1,013
Claims expense	4,437	0
Publications and manuals	3,991	0
Insurance	2,824	3,165
Education	770	795
Other operating expenses	6	429
	<u> </u>	<u> </u>
TOTAL EXPENSES	385,419	48,793
	<u> </u>	<u> </u>
INCOME (LOSS) BEFORE INCOME TAXES	57,279	(39,546)
	<u> </u>	<u> </u>
INCOME TAXES	0	0
	<u> </u>	<u> </u>
NET INCOME (LOSS)	\$57,279	(\$39,546)
	<u> </u>	<u> </u>

See accompanying notes.

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Years Ended September 30, 2002 and 2001

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>Total</u>
			<u>Capital</u>	<u>(Accumulated</u>	
				<u>Deficit)</u>	
Balance at September 30, 2000	258	\$45,538	\$54,462	(\$17,751)	\$82,249
Net loss	<u>0</u>	<u>0</u>	<u>0</u>	<u>(39,546)</u>	<u>(39,546)</u>
Balance at September 30, 2001	258	45,538	54,462	(57,297)	42,703
Contribution of additional capital	0	0	65,000	0	65,000
Net income	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,279</u>	<u>57,279</u>
Balance at September 30, 2002	<u>258</u>	<u>\$45,538</u>	<u>\$119,462</u>	<u>(\$18)</u>	<u>\$164,982</u>

See accompanying notes.

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$57,279	(\$39,546)
Changes in assets and liabilities:		
Decrease (increase) in receivables	(121,913)	0
Decrease (increase) in prepaid expenses	448	(71)
Increase (decrease) in accounts payable	(90,519)	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(154,705)	(39,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances from (repayments to) Parent Company	127,766	446
Contribution of additional capital	65,000	0
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	192,766	446
NET INCREASE (DECREASE) IN CASH	38,061	(39,171)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	139,102	178,273
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$177,163	\$139,102

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

NOTES TO FINANCIAL STATEMENTS

September 30, 2002 and 2001

ARIS Securities Company (the "Company") was incorporated in Pennsylvania as a wholly owned subsidiary of ARIS Corporation of America (the "Parent Company"). The Company is a broker-dealer registered with the U.S. Securities and Exchange Commission (SEC), and is a member of the National Association of Securities Dealers (NASD). The Company's current activities include participating in a servicing fee agreement with a clearing broker, and the purchasing and redeeming of mutual funds and variable life insurance and annuities for customers. Orders with mutual funds and/or life insurance companies are placed in the customer's names, the shares or units are held by the funds' or insurance company's custodians, and the Company's only financial involvement is through receipt of commission checks from the mutual fund or insurance company.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

At year-end and at various times throughout each year, the Company had cash balances in excess of the federally insured limit of \$100,000 in deposit accounts.

Revenue Recognition:

Commission income and the related commission expense and overrides are recorded on a trade-date basis, as securities transactions occur. Revenue sharing revenue and 12b-1 fee income is recognized in the period when the activity occurs. All expenses are recorded when incurred.

Income Taxes:

The Company is included in the consolidated federal income tax return filed by the Parent Company. Federal income taxes are calculated as if the subsidiaries file on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent Company. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

Statement of Cash Flows:

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as highly-liquid investments, with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2002 and 2001

NOTE B - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At September 30, 2002 and 2001, the Company had net capital of \$41,934 and \$41,495, respectively, which was in excess of the required minimum net capital of \$8,990 and \$6,507, respectively. The Company's percentage of aggregate indebtedness to net capital was 3.21 to 1 and 2.35 to 1 at September 30, 2002 and 2001, respectively.

NOTE C - RELATED PARTY TRANSACTIONS

The Company utilizes personnel, administrative office facilities and computer equipment, and receives administrative services from the Parent Company.

For the years ended September 30, 2002 and 2001, the Company purchased a total of \$362,766 and \$27,768 from the Parent Company for these services, respectively. These amounts are normally paid (without interest) on an ongoing, quarterly basis.

NOTE D - INCOME TAXES

Although the Company files a consolidated federal income tax return with the Parent Company, it has chosen to reflect the provisions of Statement of Financial Accounting Standards No. 109 ("SFAS 109"), in the accompanying financial statements as if it were a separate taxpayer. Under SFAS 109, the effect of changes in corporate income tax rates on deferred income taxes is recognized as an adjustment to the income tax expense or benefit.

The deferred income tax asset or liability in the accompanying balance sheets includes the following components:

	September 30, 2002			September 30, 2001		
	Federal	State	Total	Federal	State	Total
Deferred tax asset - noncurrent	\$0	\$300	\$300	\$8,200	\$6,000	\$14,200
Less valuation allowance	0	(300)	(300)	(8,200)	(6,000)	(14,200)
Deferred tax liability - noncurrent	0	0	0	0	0	0
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2002 and 2001

NOTE D - INCOME TAXES - CONTINUED

The valuation allowance was decreased by \$13,900 and increased by \$9,400 for the years ended September 30, 2002 and 2001, respectively.

NOTE E - CLEARING AGREEMENT

During the year ended September 30, 2002, the Company entered into a three-year clearing agreement with a clearing broker dealer. The agreement became effective when the Company paid an initial escrow deposit of \$50,000 on October 15, 2002. Under terms of the agreement, there is a termination fee as follows:

During year one	\$120,000
During year two	90,000
During year three	60,000

Unless written notification is made by either party within 90 days prior to the end of the agreement, the agreement will automatically renew for additional, successive, one year terms.

The agreement also requires the Company to maintain a minimum Net Capital at the greater of the SEC's required minimum Net Capital under Rule 15c3-1 (see Note B) or \$100,000, which is also subject to adjustment from time to time.

SUPPLEMENTARY INFORMATION

ARIS SECURITIES COMPANY
(A Wholly Owned Subsidiary)

SCHEDULE I - COMPUTATION OF NET CAPITAL

	Year Ended September 30	
	2002	2001
NET CAPITAL		
Total stockholder's equity from statement of financial condition	\$164,982	\$42,703
Deductions and/or charges:		
Nonallowable assets - other assets	(122,673)	(1,208)
Net capital before haircuts on securities positions (tentative net capital)	42,309	41,495
Haircuts on securities positions	(375)	0
NET CAPITAL	\$41,934	\$41,495
AGGREGATE INDEBTEDNESS (A.I.)		
Total aggregate indebtedness from Statement of Financial Condition	\$134,854	\$97,607
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT		
Minimum net capital (6 2/3% of A.I.)	\$8,990	\$6,507
Minimum dollar net capital required	\$5,000	\$5,000
Net capital requirement (greater of the above)	\$8,990	\$6,507
Excess net capital	\$32,944	\$34,988
Excess net capital at 1000% (net capital less 10% of A.I.)	\$28,449	\$31,734
Percentage of aggregate indebtedness to net capital	322%	235%
Reconciliation with Company's computation (included in Part II of Form X-17A-5)		
Net capital, as reported in Company's Part IIA (unaudited)		
FOCUS report	\$41,934	\$41,495
Audit adjustments, net	0	0
NET CAPITAL	\$41,934	\$41,495



HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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www.herbein.com

To the Board of Directors and Stockholder
ARIS Securities Company (a Wholly Owned Subsidiary)
State College, Pennsylvania

Independent Auditor's Report on Internal Control

In planning and performing our audits of the financial statements and supplemental schedule of ARIS Securities Company (the "Company"), for the years ended September 30, 2002 and 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



HERBEIN+COMPANY, INC.

CERTIFIED PUBLIC ACCOUNTANTS

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2002 and 2001, to meet the Commission's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, NASD, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
November 18, 2002